

**SKAGIT COUNTY DIKE DISTRICT NO. 3**  
**Skagit County, Washington**  
**January 1, 1990 Through December 31, 1992**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated And Documents Were Falsified

Our audit of the financial records of Skagit County Dike District No. 3 revealed that at least \$1,375 in public funds was misappropriated by an ex-commissioner during the period January 1, 1990, through January 13, 1994.

Cash receipts could not be properly accounted for by ex-commissioner Joe Soler.

- a. Federal disaster assistance grant revenue. While \$43,852 in federal and state revenue was awarded to the district, only \$42,977 had been deposited into the district's account with the county treasurer. The \$875 difference represented a single warrant which had been endorsed by ex-commissioner Soler, but never deposited into the district's account.
- b. Proceeds from sale of a district vehicle. While the district's minutes indicated that a vehicle was sold for \$500 in 1991, the proceeds from this sale had not been deposited into the district's account with the county treasurer.

Because of the small size of the district, the commissioners have elected to perform all accounting functions themselves. Thus, ex-commissioner Soler was responsible for both receiving and reconciling the amount of funds received and deposited with grant reimbursement requests.

When we discussed these irregularities with ex-commissioner Soler, he was unable to provide any further explanation for the missing proceeds from these district cash receipt transactions. However, he subsequently deposited two personal checks with the county treasurer on January 13, 1994, as a restitution to the district for the amount of the missing cash receipts. These included a check for \$875 for the missing grant revenue, and a check for \$1,550 for the missing proceeds from the sale of the vehicle. This latter transaction was \$1,050 more than the recorded sale price of the vehicle. Ex-commissioner Soler told an examiner that the entire check of \$1,550 was for the sale of the vehicle. The difference has not been adequately explained.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf of or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any

person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall wilfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The district has not implemented an effective system of internal control designed to ensure the protection of public assets.

We recommend the district seek recovery of the audit/investigation costs associated with these losses from ex-commissioner Joe Soler. We refer this matter to the Washington State Office of the Attorney General and the Skagit County Prosecuting Attorney for review and any further action deemed appropriate under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the commissioners is as follows:

Agent: Gordon Insurance, Mount Vernon WA

Company: United States Fidelity Guaranty Co.

Type of coverage: Malfeasement Bond

Amount: \$5,000

Period of coverage: Commissioners are covered for their term of office. Mr. Soler was covered from 1/88 to 12/93.

Policy number: (Joe Soler) 76-0170-11078-88-7

We also recommend the district:

- a. Implement an effective system of internal control designed to ensure the protection of public assets.
- b. Notify the appropriate police agency of these losses.